

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**FISCAL MEMORANDUM**

**HB 1042 - SB 1586**

March 9, 2021

**SUMMARY OF ORIGINAL BILL:** Authorizes a county that borders at least three distressed rural counties for at least three fiscal years since FY16-17 to receive an allocation of the state sales and use tax for commercial development districts (CDD).

**FISCAL IMPACT OF ORIGINAL BILL:**

Foregone State Revenue - \$452,800/FY21-22 and Subsequent Years

Increase Local Revenue - \$452,800/FY21-22 and Subsequent Years

**SUMMARY OF AMENDMENT (004393):** Adds language to the original bill such that the only substantive change is to add the parameter that a county that borders at least three distressed rural counties for at least three fiscal years since FY16-17 must have also passed a resolution prior to January 1, 2021 that seeks to establish a CDD.

**FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:**

**Foregone State Revenue - \$113,200/FY22-23 and Subsequent Years**

**Increase Local Revenue - \$113,200/FY22-23 and Subsequent Years**

Assumptions for the bill as amended:

- According to the Department of Revenue, the annual allocation per CDD was \$113,191 in FY19-20, and this legislation will allow one new potential CDD.
- It is assumed that the eligible county would apply for and receive CDD status.
- Pursuant to Tenn. Code Ann. § 67-6-104(f), all CDD allocations must be done in the best interest of the state. Best interest of the state means a determination by the Commissioners of Finance and Administration, Revenue, and Economic and Community Development that the CDD is a result of the tax revenue allocation and that the economic benefits to the state resulting from the CDD outweigh the anticipated amount of the tax revenue allocation. Therefore, any fiscal impact to state revenue is considered to be foregone.

- It is assumed that the first year impacted by this legislation will be FY22-23, to accommodate for the time that it will take to develop the district and for businesses to be placed in services. The recurring foregone state revenue and corresponding increase in local revenue is estimated to be \$113,191 in FY22-23 and subsequent years. Any impact in FY21-22 is estimated to be not significant.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink that reads "Bojan Savic". The signature is written in a cursive, flowing style.

Bojan Savic, Interim Executive Director

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